Dipaleseng Local Municipality
(Registration number MP 306)
Unaudited Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Dipaleseng Local Municipality MP306
Nature of business and principal activities	Local government institution in the Gert Sibande District, Mpumalanga
Members of Council	12
Executive Mayor	Councillor: ML Makhubu
Speaker	Councillor: KB Moeketsi
Councillors	Councillor: MD Khanye (Memmber of Mayoral Commitee) Councillor: ZS Ngwenya (Member of Mayoral Committee) Councillor: AK Nyamade (MPAC Chairperson) Councillor: PM Mokoena Councillor: LM Maruping Councillor: SME Nhlapho Councillor: TJ Mahlangu Councillor: WS Davel Councillor: MF Dlamini Councillor: BN Nkosi
Grading of local authority	Grade 2
Acting Accounting Officer	Mr CT Myeza
Chief Financial Officer (CFO)	Mr GC Letsoalo
Registered office	Cnr of Johnny Mokoena Drive and Themba Shozi Street Balfour Mpumalanga 2410
Postal address	Private Bag X1005 Balfour Mpumalanga 2410
Bankers	First National Bank Limited South Africa
Auditors	Auditor General South Africa Certified Public Accountants (S.A.)
Demarcation code	MP 306
Legal advisors	Panel of Attorneys
Currency	South African Rand
Rounding off	Nearest Rand
Telephone number	017 773 0055/087 527 0539
Fax number	017 773 0169
email address	dipaleseng@worldonline.com
Official website	www.dipaleseng.com

Index

The reports and statements set out below comprise the unaudited annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered intistute of Government Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The unaudited annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by National and Provincial Departments.

The external auditors are responsible for independently reviewing and reporting on the municipality's unaudited annual financial statements.

The unaudited annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

Accounting Officer
Designation

31 August 2019

Accounting Officer's Report

The accounting officer submits His report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached unaudited annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 16 422 406 (2018: surplus R 102 122 040),

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 337 841 135 and that the municipality's total liabilities exceed its assets by R 337 841 135.

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The unaudited annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows: Mr IP Mutshinyali from 10 October 2018 and Mr CT Myeza from 10 July 2019

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King 4 Report on Corporate Governance for South Africa 2016. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a quarterly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Accounting Officer's Report

Audit committee

For the first 2 months of the current financial year the chairperson of the audit committee was Mr A. C Keyser (Independent Audit Committee) and for the remaining 10 months it was MS SJ Masite, who is an independent audit committee member. The committee met 4 times during the financial year to review matters necessary to fulfil its role. Dipaleseng Local Municipality as a parent municipality, was satisfied that the Audit Committee of the municipality, constituted by the non-executive directors was properly constituted to fulfil its role and advise the Council of its responsibilities as provided in Section 166 of the Municipal Finance Management Act (MFMA).

Internal audit

The municipality has its internal audit function which is headed by Ms MM Ngwenya. This is in compliance with the Municipal Finance Management Act, 2003.

7. Bankers

First National Bank Limited is the sole banker for Dipaleseng Local Municipality and will continue to provide financial services for the next three years.

8. Auditors

Auditor General South Africa will continue to be the Auditor of Dipaleseng Local Municipality as required by the Municipal Finance Management Act.

Accounting Officer
Designation

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	6	108 048	84 079
Receivables from non-exchange transactions	7	2 372 417	4 905 922
Consumer debtors	8	42 196 601	32 423 023
Cash and cash equivalents	9	2 770 544	3 108 152
		47 447 610	**40 521 176**
Non-Current Assets			
Investment property	2	39 937 259	40 843 750
Property, plant and equipment	3	495 393 144	480 384 014
Intangible assets	4	356 390	380 372
Other financial assets		216 815	216 815
		535 903 608	**521 824 951**
Total Assets		**583 351 218**	**562 346 127**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	137 883 912	99 732 032
VAT payable	13	18 545 237	20 933 326
Consumer deposits	14	1 527 949	1 424 463
Employee benefit obligation	5	357 879	314 991
Unspent conditional grants and receipts	10	1 984 258	6 467 533
Provisions	11	19 892 111	19 812 806
Vat payable		18 545 237	20 933 326
		198 736 583	**169 618 477**
Non-Current Liabilities			
Employee benefit obligation	5	9 731 538	12 344 734
Provisions	11	37 041 962	33 863 423
		46 773 500	**46 208 157**
Total Liabilities		**245 510 083**	**215 826 634**
Net Assets		**337 841 135**	**346 519 493**
Accumulated surplus		337 841 135	346 519 493

* See Note 41

Statement of Financial Performance for the year ended 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	103 428 643	94 618 171
Rental of facilities and equipment		171 918	219 184
Licences and permits	18	4 211 372	1 963 791
Other income	21	1 422 648	3 085 268
Interest revenue	22	25 946 731	20 934 372
Total revenue from exchange transactions		**135 181 312**	**120 820 786**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	16 593 228	16 112 386
Transfer revenue			
Government grants & subsidies	25	109 455 613	102 063 338
Public contributions and donations	26	1 193 490	95 559 259
Fines	17	851 250	947 650
Total revenue from non-exchange transactions		**128 093 581**	**214 682 633**
Total revenue	15	**263 274 893**	**335 503 419**
Expenditure			
Employee related costs	27	(56 259 085)	(56 146 835)
Remuneration of councillors	28	(5 826 315)	(4 935 893)
Depreciation and amortisation	29	(25 905 378)	(17 992 022)
Impairment loss	30	(358 603)	(1 106 716)
Finance costs	31	(7 368 009)	(5 564 097)
Lease rentals on operating lease	19	(904 626)	(601 081)
Debt Impairment	32	(60 211 898)	(32 170 451)
Bulk purchases	33	(70 106 231)	(56 551 683)
Transfers and Subsidies paid	24	(1 241 021)	(3 663 227)
Loss on disposal of assets and liabilities		(1 403 522)	(13 347 887)
Fair value adjustments		-	(435 529)
General Expenses	34	(50 112 611)	(40 865 957)
Total expenditure		**(279 697 299)**	**(233 381 378)**
(Deficit) surplus for the year		**(16 422 406)**	**102 122 041**

* See Note 41

Statement of Changes in Net Assets as at 30 June 2019

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	309 876 509	309 876 509
Adjustments		
Prior year adjustments	(65 479 057)	(65 479 057)
Balance at 01 July 2017 as restated*	**244 397 452**	**244 397 452**
Changes in net assets		
Restated Surplus for the year	102 122 041	102 122 041
Total changes	102 122 041	102 122 041
Restated* Balance at 01 July 2018	**354 263 541**	**354 263 541**
Changes in net assets		
surplus for the year	(16 422 406)	(16 422 406)
Total changes	(16 422 406)	(16 422 406)
Balance at 30 June 2019	**337 841 135**	**337 841 135**

* See Note 41

Cash Flow Statement for the year ended 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		64 595 806	53 328 060
Grants		106 165 828	107 609 129
Interest income		25 946 731	20 934 372
Other receipts		5 805 938	3 370 657
		202 514 303	185 242 218
Payments			
Employee costs		(74 745 125)	(59 750 885)
Suppliers		(71 904 906)	(76 884 883)
Finance costs		(4 973 253)	(5 564 097)
		(151 623 284)	(142 199 865)
Net cash flows from operating activities	37	**50 891 019**	**43 042 353**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(51 336 627)	(40 069 338)
Net increase/(decrease) in cash and cash equivalents		**(445 608)**	**2 962 706**
Cash and cash equivalents at the beginning of the year		3 108 152	145 446
Cash and cash equivalents at the end of the year	9	**2 662 544**	**3 108 152**

* See Note 41

Statement of Comparison of Budget and Actual Amounts as at 30 June 2019

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	94 839 694	3 670 159	**98 509 853**	103 428 643	**4 918 790**	
Rental of facilities and equipment	192 599	-	**192 599**	171 918	**(20 681)**	D1
Licences and permits	3 695 560	-	**3 695 560**	4 211 372	**515 812**	D2
Other income	2 273 721	2 444 279	**4 718 000**	1 422 648	**(3 295 352)**	D3
Interest revenue	19 700 000	6 172 756	**25 872 756**	25 946 731	**73 975**	D4
Total revenue from exchange transactions	**120 701 574**	**12 287 194**	**132 988 768**	**135 181 312**	**2 192 544**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	18 320 722	-	**18 320 722**	16 593 228	**(1 727 494)**	D5
Transfer revenue						
Government grants & subsidies	69 695 000	(6 000 000)	**63 695 000**	109 455 613	**45 760 613**	D6
Public contributions and donations	-	-	**-**	1 193 490	**1 193 490**	D7
Fines, Penalties and Forfeits	1 970 000	-	**1 970 000**	851 250	**(1 118 750)**	D8
Total revenue from non-exchange transactions	**89 985 722**	**(6 000 000)**	**83 985 722**	**128 093 581**	**44 107 859**	
Total revenue	**210 687 296**	**6 287 194**	**216 974 490**	**263 274 893**	**46 300 403**	
Expenditure						
Personnel	(55 772 982)	-	**(55 772 982)**	(56 259 085)	**(486 103)**	D9
Remuneration of councillors	(5 355 762)	-	**(5 355 762)**	(5 826 315)	**(470 553)**	D10
Depreciation and amortisation	(18 580 768)	-	**(18 580 768)**	(25 905 378)	**(7 324 610)**	D11
Impairment loss	-	-	**-**	(358 603)	**(358 603)**	D12
Finance costs	-	(2 354 499)	**(2 354 499)**	(7 368 009)	**(5 013 510)**	D13
Lease rentals on operating lease	-	-	**-**	(904 626)	**(904 626)**	D14
Debt impairment	(36 089 339)	-	**(36 089 339)**	(60 211 898)	**(24 122 559)**	D15
Bulk purchases	(59 590 769)	(4 283 141)	**(63 873 910)**	(70 106 231)	**(6 232 321)**	D16
Transfers and Subsidies	(3 221 046)	-	**(3 221 046)**	(1 241 021)	**1 980 025**	D17
General Expenses	(33 421 078)	-	**(33 421 078)**	(50 112 611)	**(16 691 533)**	D14
Total expenditure	**(212 031 744)**	**(6 637 640)**	**(218 669 384)**	**(278 293 777)**	**(59 624 393)**	
Operating deficit	**(1 344 448)**	**(350 446)**	**(1 694 894)**	**(15 018 884)**	**(13 323 990)**	
Loss on disposal of assets and liabilities	-	-	**-**	(1 403 522)	**(1 403 522)**	D18
Deficit before taxation	**(1 344 448)**	**(350 446)**	**(1 694 894)**	**(16 422 406)**	**(14 727 512)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1 344 448)**	**(350 446)**	**(1 694 894)**	**(16 422 406)**	**(14 727 512)**	

Statement of Comparison of Budget and Actual Amounts as at 30 June 2019

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	425 974	-	**425 974**	108 048	**(317 926)**	D19
Receivables from non-exchange transactions	-	-	**-**	2 372 417	**2 372 417**	D20
Receivables from exchange transactions	50 479 400	700 000	**51 179 400**	42 196 601	**(8 982 799)**	D20
Cash and cash equivalents	-	-	**-**	2 770 544	**2 770 544**	D21
	50 905 374	**700 000**	**51 605 374**	**47 447 610**	**(4 157 764)**	
Non-Current Assets						
Investment property	53 183 793	-	**53 183 793**	39 937 259	**(13 246 534)**	D22
Property, plant and equipment	387 349 360	-	**387 349 360**	495 393 144	**108 043 784**	D23
Intangible assets	404 943	-	**404 943**	356 390	**(48 553)**	D24
Other asset 1	217 000	-	**217 000**	216 815	**(185)**	D25
	441 155 096	**-**	**441 155 096**	**535 903 608**	**94 748 512**	
Total Assets	**492 060 470**	**700 000**	**492 760 470**	**583 351 218**	**90 590 748**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	29 366 299	-	**29 366 299**	137 883 912	**108 517 613**	D26
Consumer deposits	1 740 138	-	**1 740 138**	1 527 949	**(212 189)**	D27
Employee benefit obligation	20 525 686	-	**20 525 686**	357 879	**(20 167 807)**	D28
Unspent conditional grants and receipts	-	-	**-**	1 984 258	**1 984 258**	D26
Provisions	-	-	**-**	19 892 111	**19 892 111**	D28
Vat payable	-	-	**-**	18 545 237	**18 545 237**	D26
	51 632 123	**-**	**51 632 123**	**180 191 346**	**128 559 223**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	9 731 538	**9 731 538**	D28
Provisions	28 849 023	-	**28 849 023**	37 041 962	**8 192 939**	D28
	28 849 023	**-**	**28 849 023**	**46 773 500**	**17 924 477**	
Total Liabilities	**80 481 146**	**-**	**80 481 146**	**226 964 846**	**146 483 700**	
Net Assets	**411 579 324**	**700 000**	**412 279 324**	**356 386 372**	**(55 892 952)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	411 579 324	700 000	**412 279 324**	356 386 372	**(55 892 952)**	D28

Statement of Comparison of Budget and Actual Amounts as at 30 June 2019

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	12 274 884	-	**12 274 884**	-	**(12 274 884)**	D29
Sale of goods and services	63 542 595	1 324 337	**64 866 932**	64 595 806	**(271 126)**	D29
Grants	113 886 000	(6 000 000)	**107 886 000**	106 165 828	**(1 720 172)**	D31
Interest income	4 500 000	1 358 006	**5 858 006**	25 946 731	**20 088 725**	D32
Other receipts	8 131 880	2 444 279	**10 576 159**	5 805 938	**(4 770 221)**	D33
	202 335 359	**(873 378)**	**201 461 981**	**202 514 303**	**1 052 322**	
Payments						
Employee costs	(61 128 743)	-	**(61 128 743)**	(74 745 125)	**(13 616 382)**	D34
Suppliers	(93 011 847)	4 283 141	**(88 728 706)**	(71 904 906)	**16 823 800**	D35
Other payments	(3 221 046)	-	**(3 221 046)**	(4 973 253)	**(1 752 207)**	D36
	(157 361 636)	**4 283 141**	**(153 078 495)**	**(151 623 284)**	**1 455 211**	
Net cash flows from operating activities	**44 973 723**	**3 409 763**	**48 383 486**	**50 891 019**	**2 507 533**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(44 191 000)	-	**(44 191 000)**	(51 336 627)	**(7 145 627)**	D37
Net increase/(decrease) in cash and cash equivalents	782 723	3 409 763	**4 192 486**	(445 608)	**(4 638 094)**	
Cash and cash equivalents at the beginning of the year	232 000	-	**232 000**	3 108 152	**2 876 152**	D38
Cash and cash equivalents at the end of the year	**1 014 723**	**3 409 763**	**4 424 486**	**2 662 544**	**(1 761 942)**	

Dipaleseng Local Municipality
(Registration number MP 306)
Trading as Dipaleseng Local Municipality
Unaudited Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	18 320 722	-	18 320 722	-		18 320 722	16 593 228		(1 727 494)	91 %	91 %
Service charges	94 839 694	3 670 159	98 509 853	-		98 509 853	103 428 643		4 918 790	105 %	109 %
Investment revenue	19 700 000	6 172 756	25 872 756	-		25 872 756	25 946 731		73 975	100 %	132 %
Transfers recognised - operational	69 695 000	(6 000 000)	63 695 000	-		63 695 000	56 678 000		(7 017 000)	89 %	81 %
Other own revenue	8 131 880	2 444 279	10 576 159	-		10 576 159	6 657 188		(3 918 971)	63 %	82 %
Total revenue (excluding capital grants and subsidies)	**210 687 296**	**6 287 194**	**216 974 490**	**-**		**216 974 490**	**209 303 790**		**(7 670 700)**	**96 %**	**99 %**
Employee costs	(55 772 982)	-	(55 772 982)	-	-	(55 772 982)	(56 259 085)	-	(486 103)	101 %	101 %
Remuneration of councillors	(5 355 762)	-	(5 355 762)	-	-	(5 355 762)	(5 826 315)	-	(470 553)	109 %	109 %
Debt impairment	(36 089 339)	-	(36 089 339)			(36 089 339)	(60 211 898)	-	(24 122 559)	167 %	167 %
Depreciation and asset impairment	(18 580 768)	-	(18 580 768)			(18 580 768)	(18 289 205)	-	291 563	98 %	98 %
Finance charges	-	(2 354 499)	(2 354 499)	-	-	(2 354 499)	(7 368 009)	-	(5 013 510)	313 %	DIV/0 %
Materials and bulk purchases	(59 590 769)	(4 283 141)	(63 873 910)	-	-	(63 873 910)	(70 106 231)	-	(6 232 321)	110 %	118 %
Transfers and grants	(3 221 046)	-	(3 221 046)	-	-	(3 221 046)	(1 241 021)	-	1 980 025	39 %	39 %
Other expenditure	(33 421 078)	-	(33 421 078)	-	-	(33 421 078)	(52 420 759)	-	(18 999 681)	157 %	157 %
Total expenditure	**(212 031 744)**	**(6 637 640)**	**(218 669 384)**	**-**	**-**	**(218 669 384)**	**(271 722 523)**	**-**	**(53 053 139)**	**124 %**	**128 %**
Surplus/(Deficit)	**(1 344 448)**	**(350 446)**	**(1 694 894)**	**-**		**(1 694 894)**	**(62 418 733)**		**(60 723 839)**	**3 683 %**	**4 643 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	44 884 200	-	44 884 200	-		44 884 200	47 386 613		2 502 413	106 %	106 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	1 193 490		1 193 490	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital grants and subsidies	**43 539 752**	**(350 446)**	**43 189 306**	**-**		**43 189 306**	**(13 838 630)**		**(57 027 936)**	**(32)%**	**(32)%**
Surplus/(Deficit) for the year	**43 539 752**	**(350 446)**	**43 189 306**	**-**		**43 189 306**	**(13 838 630)**		**(57 027 936)**	**(32)%**	**(32)%**
Capital expenditure and funds sources											
Total capital expenditure	44 884 000	-	44 884 000	-		44 884 000	4 958 155		(39 925 845)	11 %	11 %
Sources of capital funds											
Transfers recognised - capital	44 884 000	-	44 884 000	-		44 884 000	-		(44 884 000)	- %	- %

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	44 973 722	3 409 763	48 383 485	-		48 383 485	50 891 019		2 507 534	105 %	113 %
Net cash from (used) investing	(44 191 000)	-	(44 191 000)	-		(44 191 000)	(51 336 627)		(7 145 627)	116 %	116 %
Net increase/(decrease) in cash and cash equivalents	**782 722**	**3 409 763**	**4 192 485**	**-**		**4 192 485**	**(445 608)**		**(4 638 093)**	**(11)%**	**(57)%**
Cash and cash equivalents at the beginning of the year	232 000	-	232 000	-		232 000	3 108 152		2 876 152	1 340 %	1 340 %
Cash and cash equivalents at year end	**1 014 722**	**3 409 763**	**4 424 485**	**-**		**4 424 485**	**2 662 544**		**1 761 941**	**60 %**	**262 %**

The accounting policies on pages 16 to 47 and the notes on pages 48 to 78 form an integral part of the unaudited annual financial statements.

Accounting Policies for the year ended 30 June 2019

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies for the year ended 30 June 2019

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including i.e. Distribution of services, supply demand, together with economic factors such exchange rates, inflation and interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the the gross debtors outstanding amounts exceeding 90 days.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

1.2 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Accounting Policies for the year ended 30 June 2019

1.3 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for donation and other related assets which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Accounting Policies for the year ended 30 June 2019

1.3 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	0-100 years
Plant and machinery	Straight line	5-15 years
Furniture and fixtures	Straight line	3-10 years
Motor vehicles	Straight line	5-12 years
Office equipment	Straight line	3-7 years
IT equipment	Straight line	1-3 years
Computer software	Straight line	1-3 years
Infrastructure	Straight line	0-100 years
Community	Straight line	0-100 years
Other property, plant and equipment	Straight line	5-12 years
Specialised vehicles	Straight line	5-7 years
Tools and loose gear	Straight line	3-5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Accounting Policies for the year ended 30 June 2019

1.3 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies for the year ended 30 June 2019

1.4 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 years
Other intangible assets	Straight line	indefinite

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Accounting Policies for the year ended 30 June 2019

1.5 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or

1.5 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivable from exchnage transactions	Financial asset measured at amortised cost
Receivable from non-exchange transactions	Financial asset measured at amortised cost
Other financial deposits	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Accounting Policies for the year ended 30 June 2019

1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

1.5 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies for the year ended 30 June 2019

1.5 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies for the year ended 30 June 2019

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

1.8 Construction contracts and receivables (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies for the year ended 30 June 2019

1.9 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.9 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies for the year ended 30 June 2019

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Accounting Policies for the year ended 30 June 2019

1.11 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity’s own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity’s informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies for the year ended 30 June 2019

1.11 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the unaudited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies for the year ended 30 June 2019

1.11 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies for the year ended 30 June 2019

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.13 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Accounting Policies for the year ended 30 June 2019

1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Accounting Policies for the year ended 30 June 2019

1.15 Revenue from non-exchange transactions (continued)

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Accounting Policies for the year ended 30 June 2019

1.15 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or

1.22 Irregular expenditure (continued)

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.24 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.25 Cash and cash equivalents

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.

Accounting Policies for the year ended 30 June 2019

1.25 Cash and cash equivalents (continued)

- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

Accounting Policies for the year ended 30 June 2019

1.28 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverabble amount and an impairment loss is charged to the statement of financial performance.

1.29 Conditional grants and receipts

Revenue receive from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that criteria, conditions or obligations have not been met a liabilitiy is recognised.

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

2. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	39 937 259	-	39 937 259	40 843 750	-	40 843 750

Reconciliation of investment property - 2019

	Opening balance	Derecognition	Fair value adjustments	Total
Land and buildings	40 843 750	(23 651)	(882 840)	39 937 259

Reconciliation of investment property - 2018

	Opening balance	Transfers	Other changes, movements	Fair value adjustments	Total
Land and buildings	54 550 938	(2 521 264)	(10 750 395)	(435 529)	40 843 750

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the valuations was 30 June 2019 . Revaluations were performed by an independent valuer, Zak Van der Merwe, of I@ Consulting. I@ Consulting is not connected to the municipality and has knowledge of the location and category of the investment property being valued.

The valuation was based on open market values for existing use.

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

3. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	49 871 027	(42 883 320)	6 987 707	50 870 317	(42 845 959)	8 024 358
Infrastructure	831 405 747	(438 638 411)	392 767 336	806 260 174	(424 381 393)	381 878 781
Community	80 549 755	(50 708 162)	29 841 593	71 536 256	(39 974 462)	31 561 794
Other property, plant and equipment	9 551 542	(7 975 844)	1 575 698	11 166 616	(8 314 949)	2 851 667
Capital work in progress	64 220 810	-	64 220 810	56 067 414	-	56 067 414
Total	**1 035 598 881**	**(540 205 737)**	**495 393 144**	**995 900 777**	**(515 516 763)**	**480 384 014**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Derecognised	Transfers	Adjustment	Depreciation	Impairment loss
Land and buildings	8 024 358	-	(3 085)	-	-	(1 033 566)	
Infrastructure	381 878 781	33 033 995	-	-	251 549	(22 361 258)	(35 73
Community	31 561 794	-	(201 417)	-	-	(1 457 078)	(61 70
Other property, plant and equipment	2 851 667	348 564	(352 530)	18 490	-	(1 029 326)	(261 16
Capital work in progress	56 067 414	8 153 396	-	-	-	-	
	480 384 014	**41 535 955**	**(557 032)**	**18 490**	**251 549**	**(25 881 228)**	**(358 60**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation
Land and buildings	6 378 761	89 255	(122 852)	2 521 264	975 634	-	(747 43
Infrastructure	323 397 859	30 201 432	(945 107)	-	44 889 106	(357 015)	(15 286 56
Community	32 895 823	125 861	(144 936)	-	-	-	(1 299 44
Other property, plant and equipment	2 572 553	913 054	-	-	-	-	(633 94
Capital work in progress	47 613 150	8 454 264	-	-	-	-	
	412 858 146	**39 783 866**	**(1 212 895)**	**2 521 264**	**45 864 740**	**(357 015)**	**(17 967 37**

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	58 225 775	58 225 775
Additions/capital expenditure	38 868 224	38 868 224
Transferred to completed items	(41 026 586)	(41 026 586)
	56 067 413	**56 067 413**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	21 679 764	36 546 011	58 225 775

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the municipality.

4. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	161 673	(155 357)	6 316	161 673	(131 375)	30 298
Servitudes	350 074	-	350 074	350 074	-	350 074
Total	**511 747**	**(155 357)**	**356 390**	**511 747**	**(131 375)**	**380 372**

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	30 298	(23 982)	6 316
Servitudes	350 074	-	350 074
	380 372	**(23 982)**	**356 390**

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	54 943	(24 645)	30 298
Servitudes	350 074	-	350 074
	405 017	**(24 645)**	**380 372**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

5. Employee benefit obligations

Defined benefit plan

The plan is a post-employment medical benefit plan.

Post-retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19/GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP 25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.36% per annum has been used. This rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2019. This rate does not reflect any adjustment for taxation.

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 6.84% has been assumed. This is 2.08% in excess of expected CPI inflation over the expected term of the liability, namely 4.76%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.36%

The next contribution increase was assumed to occur with effect from 1 January 2018.

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income dependent.
A replacement ratio of 75% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

The amounts recognised in the statement of financial position are as follows:

	2019	2018
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(12 659 725)	(12 659 725)
Present value of the defined benefit obligation-partly or wholly funded	2 570 308	-
	(10 089 417)	**(12 659 725)**
Non-current liabilities	(9 731 538)	(12 344 734)
Current liabilities	(357 879)	(314 991)
	(10 089 417)	**(12 659 725)**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

5. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	14 679 036	13 387 653
Net expense recognised in the statement of financial performance	(1 958 769)	1 291 383
	12 720 267	**14 679 036**

Net expense recognised in the statement of financial performance

Current service cost	927 993	945 773
Interest cost	1 374 795	1 261 952
Actuarial (gains) losses	(3 777 371)	(329 530)
Expected contributions (benefits paid)	(484 186)	(586 812)
	(1 958 769)	**1 291 383**

Assumptions used at the reporting date:

Actual return on plan assets	9 %	10 %

6. Inventories

Consumable stores	63 487	52 583
Water	44 561	31 496
	108 048	**84 079**

Inventory recognition

7. Receivables from non-exchange transactions

Rates	883 656	199 237
Fines	1 488 761	4 706 685
	2 372 417	**4 905 922**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(41 890 629)	(38 316 925)
Provision for impairment	(4 132 651)	(3 573 704)
	(46 023 280)	**(41 890 629)**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

8. Receivables from exchange transactions

Gross balances		
Electricity	38 343 306	31 711 826
Water	83 766 576	64 078 688
Sewerage	84 869 102	69 825 543
Refuse	46 612 608	38 649 180
Deposit	2 767 496	2 433 972
Other	117 876 550	111 423 724
	374 235 638	**318 122 933**
Less: Allowance for impairment		
Electricity	(25 223 811)	(21 668 433)
Water	(59 687 138)	(53 339 134)
Sewerage	(68 412 540)	(60 676 343)
Refuse	(37 925 795)	(33 511 067)
Deposit	(24 797)	(12 168)
Other	(140 764 956)	(116 492 765)
	(332 039 037)	**(285 699 910)**
Net balance		
Electricity	13 119 495	10 043 393
Water	24 079 438	10 739 554
Sewerage	16 456 562	9 149 200
Refuse	8 686 813	5 138 113
Deposit	2 742 699	2 421 804
Other	(22 888 406)	(5 069 041)
	42 196 601	**32 423 023**
Electricity		
Current (0 -30 days)	2 569 698	2 189 794
31 - 60 days	3 987 654	2 575 240
61 - 90 days	3 125 897	2 487 645
91 - 120 days	3 436 246	2 790 714
	13 119 495	**10 043 393**
Water		
Current (0 -30 days)	4 335 757	2 936 103
31 - 60 days	5 698 979	3 245 655
61 - 90 days	5 320 984	2 525 631
91 - 120 days	8 723 718	2 032 165
	24 079 438	**10 739 554**
Sewerage		
Current (0 -30 days)	3 458 979	1 591 531
31 - 60 days	4 125 489	2 526 540
61 - 90 days	3 685 098	2 562 432
91 - 120 days	5 186 996	2 468 697
	16 456 562	**9 149 200**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

8. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	1 569 875	1 365 892
31 - 60 days	1 873 123	1 256 985
61 - 90 days	2 028 271	1 258 973
91 - 120 days	3 215 544	1 256 263
	8 686 813	**5 138 113**

Housing rental		
Current (0 -30 days)	20 985	15 965
31 - 60 days	10 548	465
61 - 90 days	28 548	217
91 - 120 days	2 682 618	2 405 157
	2 742 699	**2 421 804**

Other (specify)		
Current (0 -30 days)	-	4 868 368
31 - 60 days	(22 888 406)	599 741
61 - 90 days	-	390 783
121 - 365 days	-	(10 927 933)
	(22 888 406)	**(5 069 041)**

Summary of debtors by customer classification

Total		
Less: Allowance for impairment	42 196 601	32 423 023

Less: Allowance for impairment		
91 - 120 days	(332 039 037)	(285 699 910)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(285 699 910)	(271 167 001)
Contributions to allowance	(46 339 127)	(14 532 909)
	(332 039 037)	**(285 699 910)**

Consumer debtors impaired

As of 30 June 2019, consumer debtors of R 373 665 563 (2018: 318 122 933) were impaired and provided for.

The amount of the provision was 332 039 037 as of 30 June 2019 (2018: 285 699 910).

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 770 544	3 108 152

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
First National BANK - Cheque Account - 515-908-402-08	391 372	127 940	113 673	-	128 630	116 540
First National BANK - Current Account - 620-546-558-27	2 128 006	156 637	28 363	-	156 516	28 365
First National BANK - Call Account - 620-332-397-83	142 745	2 823 575	541	-	2 823 275	541
Total	**2 662 123**	**3 108 152**	**142 577**	**-**	**3 108 421**	**145 446**

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2019	2018
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	6 006 662
Integrated National Electrification Programme	1 523 387	-
Gert Sibande District Municipality Grant	460 871	460 871
	1 984 258	**6 467 533**

Movement during the year

	2019	2018
Balance at the beginning of the year	6 467 533	-
Additions during the year	1 523 387	6 467 533
Grant withheld during the year	(6 006 662)	-
	1 984 258	**6 467 533**

The nature and extent of government grants recognised in the unaudited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

11. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Change in discount factor	Total
Provision for Landfill site	32 013 307	2 646 305	34 659 612
Provision for Long Service Awards	2 019 311	611 539	2 630 850
Other provision DWS	19 643 611	-	19 643 611
	53 676 229	**3 257 844**	**56 934 073**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Provision for Landfill site	29 934 493	2 078 814	32 013 307
Provision for Long Service Awards	1 873 654	145 657	2 019 311
Department of Water Affairs	19 643 611	-	19 643 611
	51 451 758	**2 224 471**	**53 676 229**

	2019	2018
Non-current liabilities	37 041 962	33 863 423
Current liabilities	19 892 111	19 812 806
	56 934 073	**53 676 229**

Provision for Long Service awards

The IAS19/GRAP25 Statement sets out the recognition, measurement and disclosure requirements in accounting for “defined benefit” plans. The Statement requires further that actuarial gains and losses and past service cost are to be recognised immediately for long-service employee benefits.

The actuarial valuation was performed by ARCH Consulting.

Provision for Landfill site

Grap 19 statement requires the recognition of a present obligation by an entity arising from past events, the settlement of which is expected to result in an outflow from the Municipality of resources embodying economic benefits (paragraph .16 of GRAP 19). The operation of a landfill results is an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) – (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The Landfill site valuation was performed by Environmental and Sustainability Solution CC.

Department of Water Affairs

The municipality is not in agreement with the rate per cubic meter charged by the Department of Water Affairs for

11. Provisions (continued)

extraction of raw water. As at the 30 June 2018 the municipality disputed the amount of R 19 643 611 from the Department of Water Affairs in respect of amount alleged to be owed by the Municipality to this entity, this amount has escalated to R71 001 263.75 as at 30 June 2018.

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

12. Payables from exchange transactions

Trade payables	129 666 331	91 970 066
Accrued leave pay	7 081 219	6 714 194
Accrued bonus	1 043 351	976 298
Accruals	93 011	71 474
	137 883 912	**99 732 032**

13. VAT payable

VAT payable	18 545 237	20 933 326

14. Consumer deposits

Deposits held on Consumers	1 527 949	1 424 463

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

15. Revenue

Service charges	103 428 643	94 618 171
Rental of facilities and equipment	171 918	219 184
Licences and permits	4 211 372	1 963 791
Other income	1 422 648	3 085 268
Interest revenue	25 946 731	20 934 372
Property rates	16 593 228	16 112 386
Government grants & subsidies	109 455 613	102 063 338
Public contributions and donations	1 193 490	95 559 259
Fines, Penalties and Forfeits	851 250	947 650
	263 274 893	**335 503 419**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	103 428 643	94 618 171
Rental of facilities and equipment	171 918	219 184
Licences and permits	4 211 372	1 963 791
Other income	1 422 648	3 085 268
Interest revenue	25 946 731	20 934 372
	135 181 312	**120 820 786**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	16 593 228	16 112 386
Transfer revenue		
Government grants & subsidies	109 455 613	102 063 338
Public contributions and donations	1 193 490	95 559 259
Grant received from DBSA	851 250	947 650
	128 093 581	**214 682 633**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

16. Service charges

Sale of electricity	56 634 738	52 682 899
Sale of water	21 774 294	19 005 858
Sewerage and sanitation charges	18 194 829	16 603 582
Refuse removal	6 824 782	6 325 832
	103 428 643	**94 618 171**

17. Fines, Penalties and Forfeits

Law Enforcement Fines	851 250	947 650

18. Licences and permits (exchange)

Road and Transport	4 211 372	1 963 791

19. Lease rentals on operating lease

Lease rentals on operating lease - Other		
Leased office machinery	904 626	601 081

20. Other revenue

Other income	1 422 648	3 085 268

21. Other income

Advertising businesses	1 015	426
Burial fees	265 977	140 158
Clearance certificates	383 601	1 201 534
Escorting vehicles	-	15 040
Fines: Library	169 037	12 621
Reconnection fees	129 870	128 725
Refuse bins	652	1 785
Tender documents	36 130	11 798
Town establishment	436 106	1 542 904
Valuation certificate	260	1 482
Penalties	-	10 174
Certificates of compliance	-	18 621
	1 422 648	**3 085 268**

22. Interest revenue

Interest revenue		
Bank	617 298	486 952
Interest charged on financial instruments	25 329 433	20 447 420
	25 946 731	**20 934 372**

The amount included in Investment revenue arising from exchange transactions amounted to -. R25 329 433

The amount included in Investment revenue arising from non-exchange transactions amounted to -.R 617 298

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

23. Property rates

Rates received

Property rates	16 593 228	16 112 386

Valuations

Residential	897 328 100	897 328 100
Commercial	175 863 070	175 863 070
State	134 933 100	134 933 100
Municipal	91 060 799	91 060 799
Small holdings and farms	1 451 235 000	1 451 235 000
Religious places	20 523 000	20 523 000
	2 770 943 069	**2 770 943 069**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 2019 -, 008170 (2018: -0.00729) is applied to property valuations to determine assessment rates. Rebates of R15 000 (2018: R 15 000) are granted to residential and state property owners.

The new general valuation will be implemented on 01 July 2019.

24. Transfers and subsidies paid

Other subsidies		
Free basic services	1 241 021	3 663 227

Figures in Rand	2019	2018

25. Government grants and subsidies

Operating grants		
Equitable Share	58 562 000	58 388 000
Financial Management Grant	1 970 000	1 900 000
Expanded Public Works Program Grant	1 537 000	1 706 000
	62 069 000	**61 994 000**
Capital grants		
Government grant Municipal Infrastructure Grant	35 480 000	23 069 338
Government grant- Integrated National Electrification Programme	11 906 613	17 000 000
	47 386 613	**40 069 338**
	109 455 613	**102 063 338**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy o f R 200 in 2019 (2018: R 200), which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	6 006 662	-
Current-year receipts	35 480 000	29 076 000
Conditions met - transferred to revenue	(35 480 000)	(23 069 338)
Grants withheld	(6 006 662)	-
	-	**6 006 662**

The Municipality has met all the conditions of this grant allocated to and recognised the as revenue

Integrated National Electrification Programme

Current-year receipts	13 430 000	17 000 000
Conditions met - transferred to revenue	(11 906 613)	(17 000 000)
	1 523 387	**-**

The Municipality has met all the conditions of this grant allocated to and the amount reamining relates retentions.

Expanded Public Works Program Grant

Current-year receipts	1 537 000	1 706 000
Conditions met - transferred to revenue	(1 537 000)	(1 706 000)
	-	**-**

Conditions of the grant were met (see note 10).

Financial Management Grant

Current-year receipts	1 970 000	1 900 000
Conditions met - transferred to revenue	(1 970 000)	(1 900 000)
	-	**-**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

25. Government grants and subsidies (continued)

Conditions of the grant were met (see note 10).

Gert Sibande District Municipality Grant

Balance unspent at beginning of year	460 871	460 871

Conditions still to be met - remain liabilities (see note 10).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act,, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Public contributions and donations

Public contributions and donations 1	1 193 490	95 559 259

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

27. Employee related costs

Basic salaries and wages	33 487 942	32 989 219
Basic salaries and wages	2 345 722	2 194 462
Medical aid - company contributions	(93 666)	1 987 159
UIF	-	297 046
Industrial council levy	18 052	17 657
Skills development levy	503 578	389 209
Leave pay	545 635	1 110 457
Group insurance	302 231	519 491
Post-employment benefits - Pension - Defined contribution plan	6 584 991	5 528 153
Overtime payments	3 145 289	2 883 298
Long-service awards	871 367	356 045
Acting allowances	383 736	1 195 779
Transport allowances	1 135 548	1 013 884
Cellphone allowance	806 676	800 431
Housing benefits and allowances	432 429	426 818
Standby allowances	295 734	225 759
	50 765 264	**51 934 867**

Remuneration of municipal manager

Annual Remuneration	939 121	393 368

Remuneration of chief finance officer

Annual Remuneration	1 176 736	800 858
Car Allowance	-	60 000
Other	-	104 004
	1 176 736	**964 862**

Remuneration of director

Remuneration of corporate services director

Annual Remuneration	823 354	126 141

Remuneration of community services director

Annual Remuneration	764 103	837 387
Car Allowance	-	38 500
	764 103	**875 887**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

27. Employee related costs (continued)

Remuneration of technical services director

Annual Remuneration	925 793	870 105

Remuneration of planning and development director

Annual Remuneration	864 714	886 216
Car Allowance	-	73 584
Other	-	21 805
	864 714	**981 605**

28. Remuneration of councillors

Executive Mayor	815 208	781 059
Chief Whip	361 829	332 354
Mayoral Committee Members	1 282 142	1 191 403
Speaker	718 583	701 773
Councillors	1 938 553	1 866 304
Ward committees	710 000	63 000
	5 826 315	**4 935 893**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor has two full-time bodyguards

29. Depreciation and amortisation

Property, plant and equipment	25 881 396	17 992 022
Intangible assets	23 982	-
	25 905 378	**17 992 022**

30. Impairment loss

Impairments		
Property, plant and equipment	358 603	1 106 716
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

Moveable assets impaired due to not being serviced and remained not operation for the entire year of operations

31. Finance costs

Interest paid	7 368 009	5 564 097

The interest incurred were due to late payment of Mainly eskom and other creditors

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

32. Debt impairment

Contributions from receivables (exchange and non-transactions)	26 997 536	18 106 612
Bad debts written off	33 214 362	14 063 839
	60 211 898	**32 170 451**

The provision is based on debtors that are owing Council for 90 days and above. The bad debt written off relates to indigents that Council consider impossible to collect from on a yearly basis

33. Bulk purchases

Electricity	60 407 930	50 809 424
Water	9 698 301	5 742 259
	70 106 231	**56 551 683**

Bulk purchases relates to electricity purchased from Eskom, and Department of Water Affairs and Sanitation

34. General expenses

Advertising	639 749	1 045 395
Audit fees	3 557 170	4 805 332
Bank charges	562 431	494 738
Consulting and professional fees	7 069 113	6 093 451
Insurance	1 043 737	1 145 424
IT expenses	164 867	281 929
Licence fees	2 244 484	1 712 815
Motor vehicle expenses	3 856 020	3 492 307
Protective clothing	345 013	53 714
Repairs and maintenance	20 450 685	7 842 012
Security costs	6 370 734	10 191 581
Subscription and membership fees	18 450	19 600
Subscription and membership fees	600 222	480 888
Telephone costs	1 314 220	598 519
Travelling & Subsistences	459 273	627 163
Travelling & Subsistences	1 404 817	1 965 218
Township establishment	11 626	15 871
	50 112 611	**40 865 957**

35. Fair value adjustments

Investment property (Fair value model)	-	(435 529)

36. Auditors' remuneration

Fees	3 557 170	4 805 332

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

37. Cash generated from operations

(Deficit) surplus	(16 422 406)	102 122 041
Adjustments for:		
Depreciation and amortisation	25 905 378	17 992 022
Derecognition of assets	1 403 522	13 347 887
Fair value adjustments	-	435 529
Finance costs	12 450 337	-
Impairment deficit	358 603	1 106 716
Debt impairment	60 211 898	32 170 451
Movements in retirement benefit assets and liabilities	(2 570 308)	1 145 726
Movements in provisions	3 257 844	6 212 408
Changes in working capital:		
Inventories	(23 969)	(54 267)
Receivables from exchange transactions	(69 985 476)	(56 996 288)
Other receivables from non-exchange transactions	2 533 505	(1 270 573)
Payables from exchange transactions	38 151 880	12 144 279
Unspent conditional grants and receipts	(4 483 275)	6 006 662
Consumer deposits	103 486	(32 592)
Donations	-	(95 558 836)
Vat liability 3	-	4 271 188
	50 891 019	**43 042 353**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

38. Commitments

Authorised capital and operating expenditure

Already contracted for but not provided for		
• Property, plant and equipment	4 081 259	29 930 412
• Other financial assets	12 867 696	15 540 208
	16 948 955	**45 470 620**

Total capital commitments		
Already contracted for but not provided for	16 948 955	45 470 620

Total commitments

Total commitments		
Authorised capital expenditure	16 948 955	45 470 620

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	297 444	302 928
- in second to fifth year inclusive	280 615	311 409
	578 059	**614 337**

Operating lease payments represent rentals payable by the Dipaleseng municipality for certain copy machines. Leases are negotiated for an average term of 3years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	171 918	219 184

Some of the municipality's Properties are held to generate rental income. Rental of Properties is expected to generate rental on an ongoing basis.
.

Figures in Rand	2019	2018

39. Contingent liabilities

1. Smart and safer solution claims for a breach of contract for an amount of R 25 200 000.00, the Municipality is disputing the claim as it does not have a contract with this company

2. Department of Water and Sanitation (DWS) is claiming an oustansding amount of R 71 001 264 average bill charged against the Municipality, The Municipality is in dispute of this amount since it has initially disputed R19 668 331 as at 30 June 2017. It should be further stated that this amount escalated to R71 001 264 as at 30 June 2018.

3. Adriaan Lodewicus Riekert is claiming for damage to his vehicle for an amount of R8 675,60. The Municipality is defending the matter in court

4. Khadija Hoosen is claiming for damage to his vehicle for an amount of R31 238,60. The Municipality is defending the matter in court

5. The total amount of Contigent liability as at 30 June 2019 is R96 241 178.20

40. Related parties

Related party transactions

	2019	2018
Administration fees received from related parties		
Department of Community Safety, Security and Liaison	4 211 372	1 963 791
Administration fees paid to related parties		
Department of Community Safety, Security and Liaison	13 653 862	5 501 419

Dipaleseng Local Municipality entered into transaction with the Department of Community Safety, Security and Liaison through the Licencing operations which run through the financial year where the Municipality earns a commission of 20% and payment over 80% to the Department.

41. Prior period errors

Property, plant and equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)

1.During the 2018 financial year, field verification data was incorrectly processed in the asset register, which resulted in the derecognition and incorrect components. This data was reviewed, rea-assessed and correctly processed during the 2019 year

2.During the 2018 audit it was discovered that the property on which the municipal building in Balfour is located, is not registered under the name of the municipality, and as such , should not be recognised as a municipal assets. The recognition of the donated facility has been reversed during the 2019 financial year and restated accordingly.

3.During the 2018 financial year the municipality received recognised a donation in the form of water supply network. However, it was discovered that the amount at which this donation was recognised was overstated, resulting in the retrospective restatement during the 2019 financial year.

4. During the 2018 financial year, the municipality did not submit a schedule of asset derecognitions to Council for approval, and such, these derecognitions were deemed invalid. The 2018 financial statements were restated retrospective. The impact of this restatement is summarised below

During the 2018 financial year, a property was derecognised from Investment properties due to the presence of a tented structure under the control of a religious organisation. This reclassification was deemed to be incorrect and as such, the financial statements were retrospectively restated and the subsequent fair value of this property was recognised.

During the 2018 financial year, a project, titled "Design and construction supervision of sewer reticulation in Grootvlei (Phomolong Ext 1)" was not capitalised in accordance of the principle of "available for beneficial use". As a result, the 2018 financial statements were retrospectively restated.

During the 2018 financial year, it was discovered that a change in municipal road names resulted in uncertainty with regards to the locations of roads and their associated components. In order to ensure the identification of roads based on information recorded in the asset register, a process was undertaken during the 2019 financial year to re-assess all municipal roads and their associated assets.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Other moveable assets- Cost opening	58 860 307	20 533
Other Asset- Accumulated depreciation opening	(26 274 155)	(14 020)
Opening Accumulated Surplus or Deficit	40 943 416	(6 514)

42. Comparative figures

No comparative figures have been presented as these are the first unaudited annual financial statements of the municipality.

Certain comparative figures have been reclassified.

Certain figures were changed due to of the mSCOA reform, which necessitated reclassification

43. Risk management

Financial risk management

Liquidity risk

The municipality’s risk to liquidity is as a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

43. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

44. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 337 841 135 and that the municipality's total liabilities exceed its assets by R 337 841 135.

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that these unaudited annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

45. Unauthorised expenditure

Opening Balance	202 752 310	170 443 720
Contribution during the years	14 364 650	32 308 590
Unauthorised expenditure awaiting authorisation	**217 116 960**	**202 752 310**

46. Fruitless and wasteful expenditure

Opening balance	9 874 761	6 324 569
Contribution made during year	4 973 253	3 550 192
Fruitless and wasteful expenditure awaiting condonement	**14 848 014**	**9 874 761**

47. Irregular expenditure

Opening balance	117 785 780	94 057 115
Add: Irregular Expenditure - current year	16 098 442	23 728 665
Irregular expenditure awaiting condonement	**133 884 222**	**117 785 780**

47. Irregular expenditure (continued)

Details of current year irregular expenditure

	Disciplinary steps taken/criminal proceedings	
Lima Liqhame investment	Government debt collection services	1 108 720
Mashimbane security	VIP Security Services to Councillors	2 300 000
Pitsand Vervoer BK	Construction of roads	9 387 239
Ransford Mbewe incorprated attonrneys	Provision of legal services	1 072 770
Vumankonke transport and projects	provision of sewer suction services	1 451 142
Jenec Construction	provision of smart metering system	27 347
Max-prof recovery	Provision of vat recovery services	751 224
		-
		16 098 442

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

47. Irregular expenditure (continued)

Details of current year supply chain deviations

	Nature of deviations	
Fi-xem panelbeaters	Only local service provider with capacity to render this service	10 750
Isuzu UD Trucks	Nearest dealer to service Isuzu vehicles (Value for Money)	8 548
Nissan heidelburg	Nearest dealer to service Nissan vehicles (Value for Money)	18 555
Hetzner	Contract expired, extension of contract on monthly basis pending sourcing of a new service provider	6 795
Alvest Manor	Urgent request, hence impractical to follow normal SCM processes	5 200
Auto-ren Hedelburg	Nearest dealer to service Isuzu vehicles (Value for Money)	2 684
Hetzner	Contract expired, extension of contract on monthly basis pending sourcing of a new service provider	4 583
Siyavuka plant hire	Municipal TLB broken down, Service provider's contract extended for two months so that essential services to community not to be interrupted	146 087
McCarthy Commercials	Nearest dealer to service vehicles (Value for Money)	43 721
Diamond rose guesthouse	Only 2 quotations obtained, other hotels fully booked	2 609
MMT business enterprise	Municipal sewer truck broken down, urgent attention needed to attend to sewer spillage to avoid possible community protest	50 000
Welgelen Manor	Municipal Manager's original accomodation booked for 13 days extended for another 7 days	7 304
Malpro trading PTY LTD	Services needed to attend emergency work on electricity cables which posed possible danger to community	9 465
Black Gauntlet	Normal SCM processes followed but only 2 quotations obtained	173 510
New Vaal Motors	Nearest dealer to service vehicles (Value for Money)	8 816
Zamaswazi vehicles	Normal SCM processes followed but only 1 quotation obtained	52 604
Barloworld Isuzu	Nearest dealer to service vehicles (Value for Money)	14 281
Bombai electrical	unexpected power outage, which requires electricity to be restored urgently	264 170
Hetzner	Contract expired, extension of contract on monthly basis pending sourcing of a new service provider	3 970
Nomdric	Emergency work to attend to frequent breakdown of the substation in Greylingstad	3 862 210
Mphophoma Construction	Emergency work on stolen electrical cables hence impractical to follow normal SCM processes	188 000
	Emergency work on stolen electrical cables hence impractical to follow normal SCM processes	168 000
	Emergency work on stolen electrical cables hence impractical to follow normal SCM processes	22 500
	Emergency work on stolen electrical cables hence impractical to follow normal SCM processes	275 000
	Emergency work on stolen electrical cables hence impractical to follow normal SCM processes	316 810
	Emergency work on stolen electrical cables hence impractical to follow normal SCM processes	371 720
	Emergency work on stolen electrical cables hence impractical to follow normal SCM processes	366 445

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

47. Irregular expenditure (continued)

Hetzner	Contracr expired, extention of contract on monthly pending sourcing of a new service provider	2 698
Barloworld Isuzu	Nearest dealer to service vehicles (Value for Money)	7 804
Bonafide	Emergency work on stolen electrical cables hence, normal SCM processes impractical	6 723 048
Mphophoma Construction	Emergency work on stolen electrical cables hence, normal SCM processes impractical	1 770 730
		14 908 617

48. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2019	2018
Net (deficit) surplus per the statement of financial performance	(16 422 406)	102 122 041

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2019	2018
Opening balance	4 860	-
Current year subscription / fee	571 090	480 888
Amount paid - current year	(575 950)	(476 028)
	-	**4 860**

Material distribution losses

	2019	2018
Distribution loss - electricity	7 399 002	1 905 204
Distribution loss- water	10 542 694	7 807 012
	17 941 696	**9 712 216**

Electricity distribution losses for the current year was 3.61% amounting to R 7 399 302 (2018: 3.61% amounting to R 1 905 204). These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses.

Water distribution losses comprises of non-billed water, and for the current year was 74%, amounting to R 10 542 694 (2018: 74% amounting to R 7 807 0123). These water distribution losses cannot be accounted for mainly due to theft, faultly pipes, spillages etc. This problem is currently being addressed by installing additional meters and a data cleansing process will be initiated to address the losses.
For water, the Municipality purifies its own water except for the water supplied by Eskom to Grootvlei (ward 5) residents

Audit fees

	2019	2018
Opening balance	2 998 390	-
Current year subscription / fee	4 131 310	5 543 590
Amount paid - current year	(4 742 747)	(2 545 200)
	2 386 953	**2 998 390**

PAYE and UIF

	2019	2018
Opening balance	3 400 784	543 731
Current year subscription / fee	10 332 634	7 885 682
Amount paid - current year	(12 990 454)	(5 028 629)
	742 964	**3 400 784**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	3 795 980	1 090 460
Current year subscription / fee	7 330 312	7 734 148
Amount paid - current year	(9 781 253)	(5 028 628)
	1 345 039	**3 795 980**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr AK Nyamade	3 211	120 145	123 356
Cllr BK Nkosi/Moeketsi	803	3 331	4 134
Cllr MF Dlamini	1 290	972	2 262
Cllr MD Khanye	1 101	504	1 605
Cllr SME Nhlapho	1 079	451	1 530
Cllr W Davel	502	-	502
	7 986	**125 403**	**133 389**

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr AK Nyamade	2 815	106 928	109 743
Cllr PM Mokoena	2 531	20 751	23 282
Cllr WS Davel	1 383	-	1 383
Cllr KB Nkosi/Moeketsi	1 285	-	1 285
Cllr MF Dlamini	828	-	828
	8 842	**127 679**	**136 521**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2019	Highest outstanding amount	Aging (in days)
Cllr AK Nyamade	123 356	1 065
Cllr Nkosi/Moeketsi	4 143	426
Cllr MF Dlamini	2 262	1 065
Cllr MD Khanye	1 605	334
Cllr SME Nhlapho	1 530	242
Cllr W Davel	502	30
	133 398	**3 162**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018

50. Budget differences

Material differences between budget and actual amounts

The municipality considers the excess of actual revenue/expenditure againts final budget of 10% to be material.

D1.Less rental income from letting of community halls
D2. Increased in number drivers licence and permits issued
D3.Anticipated revenue from the sale of stands fell short of projected revenue since implementation plan did not take place
D6. Due to compliance with conditions relating to the Division of Revenue Act (DoRA), all allocations were spent.
D7. Donations received from Sasol
D8. Less traffic fines were issued in the financial year under review.
D12. Increased due to obsolete assets
D13. Due to late payment of major creditors especially Eskom as a result of non-payment of consumer debtors within 30 days
D14. This is as a result of economic turmoil such as inflation compounded by aged infrastructure requiring frequent servicing
D15. This is an increase in the provision of doubtful debts due to non-payment of services by consumers, compounded by additional write-offs of indigent consumers.
D16. Municipal tariffs not aligned with Eskom time of use tariffs especially in winter season.
D17. Decreased due to policy changes that allows only registered indigents to qualify for subsidies on free basic services
D18. Property plant and equipment derecognised during the year
D19. Increased due to stock on hand as a result of reduced demand on water and electricity meter boxes
D20. This is an increase in the provision of doubtful debts due to non-payment of services by consumers
D21. Due to increased in debtors book and above the creditors hence there was anticipation of any surplus fund or liquid cash, the figures reflected as cash and cash equivalents is represented by unspent conditional grants
D26. Due to high rate of non-payment of services consumer debtors.
D27. Decreased registration of new household ownership and change of policy
D28. Increased due to discounted rates on Actuarial valuations on post-retirement benefits as well as valuation of the landfill site.
D29. Due to high rate of non-payment of services by consumer debtors.
D32.Low collection rate (Collection rate of 66% instead of 95%)
D33. Anticipated revenue from the sale of stands fell short of projected revenue since implementation plan did not take place
D34. Increase in provison for non cash items from Actuarial values
D35. Due to non payment of consumer debtors leading to low payment of creditors
D36. Reduced due to policy changes that allows only registered indigents to qualify for subsidies on free basic services
D37. Increased in the purchase of property, plant and equipment.